

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON FISHERIES**

May 15, 2021

12:48 p.m.

**MEMBERS PRESENT**

Representative Geran Tarr, Chair  
Representative Louise Stutes, Vice Chair  
Representative Jonathan Kreiss-Tomkins  
Representative Dan Ortiz  
Representative Sarah Vance  
Representative Kevin McCabe

**MEMBERS ABSENT**

Representative Andi Story

**COMMITTEE CALENDAR**

HOUSE BILL NO. 188

"An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

- MOVED HB 188 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 188

SHORT TITLE: SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) STUTES

04/26/21	(H)	READ THE FIRST TIME - REFERRALS
04/26/21	(H)	FSH, FIN
05/06/21	(H)	FSH AT 10:00 AM GRUENBERG 120
05/06/21	(H)	Heard & Held
05/06/21	(H)	MINUTE(FSH)
05/11/21	(H)	FSH AT 10:00 AM GRUENBERG 120
05/11/21	(H)	-- Delayed to 5/12/21 --
05/12/21	(H)	FSH AT 0:00 AM GRUENBERG 120
05/12/21	(H)	-- MEETING CANCELED --
05/13/21	(H)	FSH AT 10:00 AM GRUENBERG 120
05/13/21	(H)	-- Testimony <Invitation Only> --
05/15/21	(H)	FSH AT 12:15 AM GRUENBERG 120

**WITNESS REGISTER**

SARA PERMAN, Staff  
Representative Louise Stutes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Offered a brief recap of HB 188 on behalf of Representative Stutes, prime sponsor.

MARK PALMER, President/CEO  
OBI Seafoods  
Seattle, WA

**POSITION STATEMENT:** Responded to questions during the hearing on HB 188.

NICOLE REYNOLDS, Deputy Director  
Tax Division  
Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** Responded to questions during the hearing on HB 188.

NICOLE KIMBALL, Vice President  
Pacific Seafood Processors Association  
Anchorage, Alaska

**POSITION STATEMENT:** Offered information during the hearing on HB 188.

JULIANNE CURRY  
Icicle Seafoods, Inc.  
Kodiak, Alaska

**POSITION STATEMENT:** Offered information during the hearing on HB 188.

#### **ACTION NARRATIVE**

[12:48:15 PM](#)

**CHAIR GERAN TARR** called the House Special Committee on Fisheries meeting back to order at 12:48 p.m. Representatives Vance, Kreiss-Tomkins, Ortiz, Stutes, and Tarr were present at the call back to order. Representative McCabe arrived as the meeting was in progress.

[This meeting is a continuation of the House Special Committee on Fisheries meeting recessed on 5/13/21.]

#### **HB 188-SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT**

12:48:54 PM

CHAIR TARR announced that the only order of business would be HOUSE BILL NO. 188, "An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

CHAIR TARR reviewed that the bill proposes the addition of pollock and cod to a value-added tax credit program that currently exists to include salmon and herring. She noted there is a letter from the Department of Revenue (DOR) in the committee packet addressing questions received [from the committee] - the second question asking for a more definitive estimate of foregone revenue if the credit were expanded. The answer read as follows [original punctuation provided]:

Regarding the second question, the Department is not able to provide a more definitive estimate of the value of the credit (foregone revenue) if the credit were expanded to pollock and cod equipment besides what is stated in the fiscal note. To estimate the potential revenue impact of this bill, the Department used the Spring 2021 forecasts for total value of cod and pollock subject to the Fisheries Business Tax and combined that with historic credit utilization rates for salmon and herring equipment. The Department does not have sufficient data or information to predict how many Fisheries Business Tax taxpayers will invest in new equipment for pollock and cod, and this adds to the uncertainty.

12:50:08 PM

SARA PERMAN, Staff, Representative Louise Stutes, Alaska State Legislature, offered a brief recap of HB 188 on behalf of Representative Stutes, prime sponsor. In addition to the information given by Chair Tarr, she added that HB 188 would extend the sunset date to 2025.

12:50:37 PM

CHAIR TARR noted those available for any questions the committee may have. She then announced the committee would entertain amendments.

[12:51:17 PM](#)

REPRESENTATIVE KREISS-TOMKINS moved to adopt Amendment 1 to HB 188, labeled 32-LS0867\A.2, Nauman, 5/13/21, which read as follows:

Page 1, line 9:  
Delete "or"  
Insert "[OR]"

Page 1, line 11, following "2025":  
Insert "i  
(3) be claimed by a taxpayer in an amount  
that exceeds \$4,500,000 in a single tax year; or  
(4) be claimed by a taxpayer that is a floating  
fisheries business"

CHAIR TARR objected for the purpose of discussion.

REPRESENTATIVE KREISS-TOMKINS moved to adopt Conceptual Amendment 1 to Amendment 1, to delete line 9, as numbered on Amendment 1, which read as follows:

(4) be claimed by a taxpayer that is a floating  
fisheries business

REPRESENTATIVE ORTIZ objected for the purpose of discussion.

[12:51:53 PM](#)

REPRESENTATIVE KREISS-TOMKINS explained as follows:

... The rationale there is that ... there's some potential ambiguity with floating processors that are just kind of stationed in one place and, for many intents and purposes, are shoreside processors, and we don't want them to be treated any differently than the shoreside processors that would otherwise be claiming these credits.

[12:52:32 PM](#)

REPRESENTATIVE ORTIZ withdrew his [objection].

[12:52:41 PM](#)

REPRESENTATIVE VANCE stated an objection for discussion and asked the reason behind the figure of \$4.5 million in Amendment 1. Upon hearing clarification that the item before the committee was the proposed Conceptual Amendment 1 to Amendment 1, she [removed her objection].

[12:53:08 PM](#)

CHAIR TARR announced that there being no further objection, Conceptual Amendment 1 to Amendment 1 was adopted.

[12:53:19 PM](#)

REPRESENTATIVE KREISS-TOMKINS, to Representative Vance's question, explained that the amount of credits that would be given under HB 188 is unknown. He said the \$4.5 million in Amendment 1, as amended, matches "the upper end" of the fiscal note, which estimates what the fiscal impacts might be. He said the number can be revisited at a later date if, for example, the program is highly successful.

[12:54:31 PM](#)

REPRESENTATIVE ORTIZ asked how Representative Kreiss-Tomkins arrived at the stated figure of \$4.5 million.

REPRESENTATIVE KREISS-TOMKINS pointed to the projected numbers in the fiscal note: \$3.4 million in fiscal year 2023 (FY 23), \$4.2 million in FY 24, \$5 million in FY 26, and \$3.8 million in FY 27. He indicated he chose "a number that's close to the higher end of the fiscal note, given what DOR's projecting."

[12:55:21 PM](#)

CHAIR TARR asked for confirmation that the \$4.5 million would be the total expenditure.

REPRESENTATIVE KREISS-TOMKINS answered that is correct.

[12:55:45 PM](#)

CHAIR TARR reminded the committee of those available to answer questions. She called upon Mark Palmer to answer whether he thinks [the limit of \$4.5 million] would "constrain interest in the additional species being added" [under HB 188].

[12:56:47 PM](#)

MARK PALMER, President/CEO, OBI Seafoods, reflected that the activity on the new species in the tax credits "will happen in the first two years." He then questioned, "If it is capped at \$4.5 [million], and we exceeded that expenditure, would we be able to carry that over for a credit in the following year?"

[12:57:23 PM](#)

REPRESENTATIVE KREISS-TOMKINS offered his understanding that credits can be carried forward.

[12:57:51 PM](#)

CHAIR TARR called on Nicole Reynolds to address that concern.

[12:57:57 PM](#)

NICOLE REYNOLDS, Deputy Director, Tax Division, Department of Revenue, explained that under AS 43.75.035(d), unused credit can be carried forward three years.

[12:58:38 PM](#)

REPRESENTATIVE VANCE, considering the \$4.5 million figure may be a hinderance, asked for a recommended amount the committee could consider.

[12:59:00 PM](#)

MR. PALMER pointed out that the cost of one "meal plant" for one company can be \$5 million; therefore, he recommended a \$10 million cap for the first two years.

[12:59:41 PM](#)

REPRESENTATIVE VANCE said she sought to find a "multiplier effect" in communities, without losing money on the state level. She deferred to the maker of the amendment to determine his comfort level on the dollar amount proposed.

[1:00:15 PM](#)

CHAIR TARR asked Ms. Reynolds if, based on the current discussion, she thinks the fiscal note may be "a little low."

[1:00:37 PM](#)

MS. REYNOLDS answered that there is "built-in uncertainty" because DOR does not have the data to provide a more definitive estimate; therefore, she allowed that the estimate could be low. She said Amendment 1, as amended, "looks like it's talking about a single tax payer being able to claim more than \$4.5 million in a single year in this credit." She said historical ranges of the total credit claimed in the tax years FY 15-19, from DOR's indirect expenditure report, range from just under \$1 million annually to \$4.5 million per year, and DOR's model for HB 188 did not anticipate that a single tax payer would be claiming that amount of credit.

[1:02:51 PM](#)

CHAIR TARR remarked that \$4.5 million for a single tax payer would be generous. She asked Representative Kreiss-Tomkins for comment.

[1:03:19 PM](#)

REPRESENTATIVE KREISS-TOMKINS, considering the feedback, indicated the proposed amendment is not "aligned with intent." He expressed concern about the uncertainty over the dollar amount of the tax credits for pollack and cod because of a lack of data.

[1:05:07 PM](#)

REPRESENTATIVE KREISS-TOMKINS withdrew the motion to adopt Amendment 1, [as amended].

[1:05:31 PM](#)

CHAIR TARR asked Nicole Kimball for input as to what types of investments could be made in years one and two, with the addition of pollack and cod.

[1:06:05 PM](#)

NICOLE KIMBALL, Vice President, Pacific Seafood Processors Association, acknowledged the good example given by Mr. Palmer regarding the cost of equipment to do protein extraction to make the most out of one fish by processing meal and oil. She said Mr. Palmer's estimate of \$4-\$5 million for one meal plant for one company is legitimate. There are other value-added product lines that cost less, she noted. She also noted that these are

one-time expenses resulting in one-time tax credits. She surmised DOR made its estimates based on this type of information.

[1:08:05 PM](#)

JULIANNE CURRY, Icicle Seafoods, Inc., said she thinks Ms. Kimball "hit the nail right on the head." She related that Icicle Seafoods, Inc. has a shore-based operation, as well as a floating processor, both in the Dutch Harbor area in Alaska. She said the company is dependent upon pollock and cod. She encouraged the committee to support HB 188. She said with the proposed tax credit, Icicle Seafoods plans to purchase some additional equipment to upgrade its value-added product line, which would increase revenue for the company, independent harvesters that work in the area, and the state. She said she seriously doubts Icicle Seafoods would seek to build a \$10 million meal plant in the next couple years.

[1:09:25 PM](#)

CHAIR TARR noted the need to learn the fiscal impact should HB 188 be passed.

[1:09:58 PM](#)

REPRESENTATIVE KREISS-TOMKINS said a reporting requirement would presumably happen through a revenue sources book, and he reiterated the need for some sideboards rather than writing "a blank check." He said he is fine leaving this issue for the House Finance Committee - the next committee of referral - to address.

[1:11:02 PM](#)

CHAIR TARR expressed her wish to work with Representative Ortiz, [who is a member of the House Finance Committee], as needed.

REPRESENTATIVE ORTIZ responded, "Absolutely."

[1:11:22 PM](#)

REPRESENTATIVE STUTES, as prime sponsor of HB 188, expressed her appreciation to the other committee members for working on a Saturday to address this important legislation.

[1:11:44 PM](#)



CHAIR TARR entertained a motion.

[1:11:48 PM](#)

REPRESENTATIVE STUTES moved to report HB 188 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 188 was reported out of the House Special Committee on Fisheries.

[1:15:50 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at [1:16] p.m.